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Plaintiff LS1 LLC and Defendant George
6 Heckler

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8 UNITED STATES DISTRICT COURT
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10 CENTRAL DISTRICT OF CALIFORNIA (Western Division – Los Angeles)
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12 WAYNE HIMELSEIN, an individual,
13 Plaintiff,
14 vs.
15 LS1 LLC, a Pennsylvania Limited
Liability Company; and
GEORGE HECKLER, an Individual,
Defendants.

16 LS1 LLC.
17 Counterclaim-Plaintiff,
18 vs.
19 WAYNE HIMELSEIN and LOGICA
20 CAPITAL ADVISERS, LLC,
21 Counterclaim-Defendants.

10 Case No.: 2:18-cv-03940 GW-(JCx)

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**DECLARATION OF LAWRENCE
MCMICHAEL IN SUPPORT OF
DEFENDANT/COUNTERCLAIM
PLAINTIFF LS1, LLC AND
DEFENDANT GEORGE
HECKLER'S MOTION FOR
STAY**

DATE: December 19, 2019
TIME: 8:30 a.m.
JUDGE: Hon. George H. Wu
COURTROOM: 9D

1 I, Lawrence G. McMichael, declare as follows:

2 1. I have personal knowledge of the facts set forth herein, and if called upon
3 and sworn as a witness, I could and would testify competently thereto.

4 2. I am a partner in the law firm of Dilworth Paxson LLP in Philadelphia,
5 Pennsylvania. I am a member in good standing of the bar of the Supreme Court of
6 Pennsylvania, of the Supreme Court of the United States, and of several United States
7 Courts of Appeal and District Courts. I have been practicing law continuously for 41
8 years and am a fellow of both the American College of Trial Lawyers and the American
9 College of Bankruptcy. I have substantial experience in both civil and criminal
10 securities matters.

11 3. We represent George Heckler in connection with his relationship with
12 Cassatt Short Term Trading Fund, LP, Cassatt Fund Partners, LLC, CV Special
13 Opportunities Fund, LP, LS1, LLC, TA1, LLC, CVAF 1, LLC, GBP1, LLC, School
14 Street Capital, LLC and other related entities. These entities were all administered by
15 Brenda Smith and certain entities controlled by her until December 2017.

16 4. Presently the Securities and Exchange Commission (“SEC”) and the
17 United States Attorney’s Office for the District of New Jersey (“USAO”) are
18 conducting investigations into Brenda Smith and her entities. These investigations have
19 resulted in criminal charges against Brenda Smith by the USAO and a civil action by the
20 SEC. Ms. Smith was arrested on August 27, 2019 pursuant to a criminal complaint.
21 The newspaper reports of her arrest are attached hereto as Exhibit A. Notification from
22 the SEC is attached as Exhibit B.

23 5. Mr. Heckler has cooperated fully in these investigations. As part of his
24 cooperation, Mr. Heckler was requested to keep all aspects of the investigation
25 confidential.

26 6. Mr. Heckler has been advised that he, among others, is a subject of the
27 investigations.

7. Two weeks ago, I represented Mr. Heckler and we attended additional interviews with the SEC, the USAO, and the FBI. All of these organizations indicated they were not done with their interviews, and they will need to speak with Mr. Heckler again in the near future. I anticipate those additional interviews will likely occur sometime in December 2019. If, at that point, these organizations decide they have gathered sufficient information from Mr. Heckler, then based on my experience with government investigations, I would anticipate the two investigations will end within a few months, with the results being known at that time.

8. Until the investigations have been concluded, I will advise Mr. Heckler to invoke his constitutional privilege against self-incrimination with respect to any compelled testimony that relates to any of the entities identified in paragraph 3 hereof, any related entities or any transactions involving such entities, including Defendant and Counterclaim-Plaintiff LS1, LLC. My understanding from discussions with the investigators is that the scope of the two investigations includes all of the entities identified in paragraph 3, including LS1.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct. Executed on November 18, 2019.

/s/ Lawrence G. McMichael

Lawrence G. McMichael

EXHIBIT A

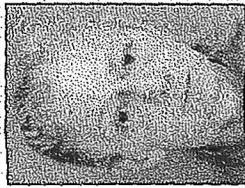
Hedge fund CEO remains in jail

By Sam Wood
STAFF WRITER

Brenda A. Smith, the CEO of the West Conshohocken-based Broad Reach Capital hedge fund, remained jailed Wednesday in New Jersey, where she was awaiting a bail hearing, authorities said.

Federal agents arrested Smith, 59, at her Rittenhouse Square apartment Tuesday and charged her with four counts of wire fraud and one count of securities fraud. Smith was being held in Cell 131 at the Essex County Jail, according to the county's website.

The Securities and Exchange



bills, according to court documents.

Smith held two passports, one from the United States and another issued by the Caribbean island nation of Dominica.

Smith, who is also known as Brenda Peterman, did not have an attorney as of Wednesday afternoon, said Matt Reilly, spokesman for the U.S. Attorney's Office in Newark. An appointed federal public defender did not return calls.

Commission said Smith allegedly orchestrated a \$105 million Ponzi scheme that made \$63 million of her clients' money disappear. She allegedly spent more than \$2 million of that to pay off her personal American Express credit card.

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WEDNESDAY, AUG. 28, 2019 | THE PHILADELPHIA INQUIRER |

Hedge fund CEO charged in fraud

She was arrested at her Rittenhouse Square condo, accused of cheating clients out of at least \$63 million.

By Sam Wood
STAFF WRITER

Federal agents on Tuesday morning arrested a hedge fund CEO at her Rittenhouse Square condo, charging her in a massive fraud that rooked investors out of at least \$63 million.

Brenda A. Smith, 59, ran a Conshohocken-based network of investment companies that included Broad Reach Capital, Broad Reach Partners, and Bristol Advisors. Smith was the only employee of each company. The funds "were essentially her alter-egos," according to court papers.

Smith solicited more than \$105 million from dozens of high-net worth individuals. She told them their money would net 30 percent returns with her sophisticated trading strategies.

She lied, prosecutors said. Instead of deploying those funds to make her alleged victims wealthier, Smith funneled the money through the web of entities she controlled.

Smith used the money to pay off previous investors, cover \$2 million in personal American Express cred-



Brenda A. Smith, shown in 2016, ran a Conshohocken-based network of investment companies at which she was the lone employee. vator.tv

it card charges, and make her own personal bets on the market, according to court papers.

To lull her existing investors, Smith allegedly created phony reports touting "outlandish and inaccurate" returns and claimed that she had never had a losing month.

"These and other performance statements were false," the criminal complaint notes.

Smith could not be reached for comment.

Even as tens of millions of new investment poured into Smith's Broad Reach fund beginning in De-

cember 2016, the total assets dwindled to less than \$32 million. As she claimed returns of over 35 percent in 2016 and 33 percent in 2017, in reality the small portion of funds she had invested on behalf of her clients crashed by over 50 percent, according to the complaint.

In March this year, when one of her clients asked to redeem his \$46.6 million stake, Smith made various excuses why her fund couldn't comply. She falsely claimed another of her companies, London-based CV International, owned a \$2.5 billion HSBC bond and listed other "dubious" assets, including \$20.25 million in "securitized cryptocurrency," according to a complaint filed by the Securities and Exchange Commission.

The SEC filed suit against Smith on Tuesday for "fraudulent, deceptive, and manipulative" business practices. The U.S. Attorney's Office for the District of New Jersey additionally charged Smith in a criminal complaint with four counts of wire fraud and one count of securities fraud.

Smith previously was disciplined by the Financial Industry Regulatory Authority (FINRA). In June, her registration was revoked and she was barred from associating with any FINRA member.

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EXHIBIT B

McMichael, Lawrence G.

From: Thompson, Scott A. <ThompsonS@sec.gov>
Sent: Tuesday, August 27, 2019 4:46 PM
To: McMichael, Lawrence G.
Cc: Sylvester, Mark; Burnett, Burk E.
Subject: FYI

As you may have seen, we filed an action against Brenda Smith today. She was also arrested.

S. Thompson from iPhone